

RECIPROCAL TRADE: QUANTITATIVE IMPORT RESTRICTIONS AND DEFERMENT OF PAYMENTS

*Exchange of memorandums and exchange of letters at Washington
February 11, 1948, modifying agreement of June 24, 1947
Entered into force February 11, 1948
Extended by agreement of June 12, 1948*¹

62 Stat. 1840; Treaties and Other
International Acts Series 1712

The Department of State to the Swedish Embassy

MEMORANDUM

The Government of the United States of America wishes to refer to discussions which have recently been held between its representatives and those of the Government of Sweden concerning the problems faced by the Government of Sweden as the result of its serious loss of gold and dollar exchange. These discussions have resulted in a mutual understanding between the two Governments as follows:

1. After a careful examination of the facts relating to the payments position of Sweden it is recognized that a temporary suspension of the commitments undertaken by the Government of Sweden in paragraph 4 of its aide-memoire dated June 24, 1947² is necessary to permit the Government of Sweden to meet its present payments difficulties. The principles governing the temporary suspension of paragraph 4 of the cited aide-memoire are set forth in a letter dated February 11, 1948 from Mr. Aminoff, Swedish Chargé d'Affaires, to Mr. Thorp, Assistant Secretary of State for Economic Affairs.

2. The Government of the United States recognizes that the commitments undertaken by the Government of Sweden in paragraph 5(c) of its aide-memoire dated June 24, 1947 with respect to quotas applicable to the importation of commodities listed in Schedule I of the Commercial Agreement between the two Governments signed May 25, 1935,³ have, in general, been fulfilled, total imports being in excess of the total of the amounts stipulated. In view of this development, caused substantially by the operation

¹ TIAS 1800, *post*, p. 850.

² TIAS 1711, *ante*, p. 837.

³ For schedules, see 49 Stat. 3768 or p. 14 of EAS 79.

of the transitional rules applied by the Government of Sweden, and because of the serious and unanticipated deficit incurred by Sweden in its balance of payments which has resulted in serious loss of gold and convertible foreign exchange, the Government of the United States agrees not to invoke, for the six months period ending June 30, 1948, the provisions of paragraph 5 (c) of the Swedish aide-memoire dated June 24, 1947, with respect to the application of Swedish import controls to the importation of items listed in Schedule I of the Commercial Agreement of 1935.

3. In applying quantitative restrictions necessary to safeguard its external financial and balance of payments position to all imports from the United States, including those listed in Schedule I, the Government of Sweden will issue licenses to cover hardship cases in connection with contracts (previously based on valid import licenses, wherever necessary, or assurances thereof) involving goods which have been, or are, in the process of being specifically made or prepared for use in Sweden. Favorable consideration will also be given to cases involving goods for which, in connection with contracts, specific preparations have been made for shipment to Sweden.

4. Because of the large deficit in the Swedish balance of payments with the hard currency areas of the world, it is recognized that the Government of Sweden is faced with the necessity of taking measures to correct its present imbalance of trade, and to conserve its foreign exchange.

5. It is, therefore, understood between the Governments of Sweden and the United States that the balance of payments problems of Sweden are similar to those of other countries which gave rise to the provisions of the General Agreement on Tariffs and Trade, concluded at Geneva, Switzerland, on October 30, 1947 by the United States and twenty-two other signatories and that, therefore, the two Governments agree to undertake negotiations with a view to the temporary relaxation of the requirements of Articles II and VII of the Commercial Agreement of 1935, to become effective July 1, 1948 along the lines of the balance of payments provisions of the General Agreement on Tariffs and Trade, which both Governments consider appropriate under the circumstances.

DEPARTMENT OF STATE

Washington, February 11, 1948.

The Swedish Embassy to the Department of State

EMBASSY OF SWEDEN
WASHINGTON, D.C.

MEMORANDUM

The Government of Sweden wishes to refer to discussions which have recently been held between its representatives and those of the Government

of the United States of America concerning the problems faced by the Government of Sweden as the result of its serious loss of gold and dollar exchange. These discussions have resulted in a mutual understanding between the two Governments as follows:

[For terms of understanding, see numbered paragraphs in U.S. note, above.]

WASHINGTON, D.C., February 11, 1948

A.F.F.

*The Swedish Chargé d'Affaires ad interim to the Assistant Secretary of State
for Economic Affairs*

EMBASSY OF SWEDEN
WASHINGTON, D.C.

FEBRUARY 11, 1948

My DEAR MR. SECRETARY:

Reference is made to the Minister's letter of June 24, 1947⁴ setting forth the policies of the Swedish Government in connection with foreign exchange transactions between Sweden and the United States. It will be recalled that the final paragraph of the letter reads as follows:

"If unforeseen circumstances require temporary modification of the principles set forth above, the Government of Sweden in accordance with the provisions of its memorandum of June 24, 1947, will review the situation with the Government of the United States".

Last December the Government of Sweden, having decided that the payments position of Sweden required a further review with the Government of the United States, initiated discussions on the subject in Washington. It was pointed out in the discussions that Sweden has been and is taking steps to bring its payments and receipts into equilibrium for 1948, except as to a carryover of import commitments covered by import licenses issued in 1947 and a seasonal deficit anticipated during the first quarter of 1948.

After careful examination of the facts, it now appears advisable to find a solution of Sweden's immediate payments difficulties through (a) reduction of import commitments referred to in the foregoing paragraph insofar as this is feasible and through (b) temporary modifications of the policies described in the letter, already cited, governing payments and transfers to the United States, involving deferments of such payments and transfers. In accordance with (b) above, the Government of Sweden therefore proposes that in cases where the authorizing of a payment between Sweden and the United States would cause Swedish gold and hard currency assets

⁴ TIAS 1711, *ante*, p. 840.

to fall below a minimum working balance, a reasonable delay in authorizing such payment will not be considered a violation of paragraph 4 of the Swedish aide-memoire of June 24, 1947 or of the terms of the Minister's letter of the same date.

The Swedish Government considers the above proposal as an exceptional and temporary measure which it intends to withdraw as soon as Sweden's reserves of gold and convertible foreign exchange reach such levels that payments and transfers may be made to the United States on a current basis without adversely affecting Sweden's payments position. Accordingly, my Government would be pleased to have a review of the situation whenever either of our Governments considers that such action would be appropriate. It is the understanding of my Government that the temporary arrangements outlined in this letter would remain in effect until terminated or modified following a review of the situation as provided above.

Sincerely yours,

A. AMINOFF

Mr. WILLARD L. THORP
Assistant Secretary for Economic Affairs
Department of State.
Washington, D.C.

*The Assistant Secretary of State for Economic Affairs to the Swedish Chargé
d'Affaires ad interim*

DEPARTMENT OF STATE
WASHINGTON
February 11, 1948

MY DEAR MR. CHARGÉ D'AFFAIRES:

I have received your letter of February 11, 1948, setting forth the proposals of the Government of Sweden for temporary modification of the provisions of the letter from the Swedish Minister dated June 24, 1947, regarding foreign exchange transactions between Sweden and the United States.

It gives me pleasure to state that the provisions of your letter are acceptable to the Government of the United States.

Sincerely yours,

WILLARD L. THORP

Mr. ALEXIS DE AMINOFF
Chargé d'Affaires ad interim of Sweden